

MSCI Digital Assets Benchmark Family – Benchmark Statement

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Contents

Benchmark Statement: MSCI Digital Assets Index Family	3
1 Objective of the Indexes in the Family	3
2 Methodology and Index Design Guidelines and Reviews	4
3 Index Content Governance	4
4 Index Calculation and Discretion	4
5 Corrections	5
6 Consultations	6
7 Index Terminations	7
8 Index Usage	7
9 Additional Information	8
10 ESG Disclosures	8
Appendix I – Key Terms	9
Appendix II – ESG Factors in the Benchmark Statement of BMR Benchmarks in the MSCI digital assets benchmark family	10

Benchmark Statement: MSCI Digital Assets Index Family

1 Objective of the Indexes in the Family

The MSCI digital assets benchmark family is comprised of indexes whose aim is to accurately and objectively measure performance of a market or economic reality defined as the performance of single or multiple digital assets as represented by combinations of individual “component” indexes (“Component Indexes”). The Component Indexes are calculated from the prices of underlying digital assets and are administered by a 3rd party.

- 1.1 Digital Asset indexes are constructed from Component Indexes that represent a particular market segment, theme or a variety of investment strategies and objectives pertaining to the digital assets class.
- 1.2 Examples of MSCI Indexes within this family include the MSCI Global Digital Assets Index, the MSCI Global Digital Assets Top 20 Index, and the MSCI Global Digital Assets Smart Contract Index. Also in scope are MSCI Indexes representing returns to a single digital asset as calculated from one or more existing indexes that, for example, may effectively average alternative market closes or that have differing underlying venue selection, price filtering or market-close calculation.
- 1.3 MSCI Digital Assets Indexes are governed by a number of methodology documents, including the specific Component Index methodology; the MSCI Index Calculation Methodology; and the relevant MSCI Index Policies.
- 1.4 The MSCI digital assets benchmark family also may include custom indexes based on an MSCI methodology with specifications agreed with clients.
- 1.5 The MSCI digital assets benchmark family contains only Non-Significant indexes as defined by Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indexes used as benchmarks.

2 Methodology and Index Design Guidelines and Reviews

2.1 MSCI indexes in the MSCI digital assets benchmark family aim to accurately and objectively measure performance of a market or economic reality as represented by an investment opportunity set accessible to institutional investors based on a market, market segment, theme, or investment strategy. MSCI indexes are constructed and maintained with the following prime objectives in mind:

- Representativeness
- Replicability
- Efficiency

2.2 The index design objectives are achieved through the use of a transparent rules-based methodological approach to index construction and maintenance.

2.3 MSCI indexes are rebalanced on a regular schedule ranging from daily to annually. The vast majority of the indexes are likely to be rebalanced on a quarterly basis. A rebalancing may also be triggered by conditions specified in the relevant methodology.

2.4 As part of the regular index rebalancing process, MSCI indexes are reviewed relative to the market or strategy they are designed to reflect. This assists in the evaluation of methodologies for both consistency and effectiveness and may highlight situations where changes in the methodology are warranted to reflect changes in the underlying market opportunity.

3 Index Content Governance

3.1 MSCI’s Index Policy Committee (“IPC”) and Equity Index Committee (“EIC”) preside over content matters relating to its indexes such as the development and interpretation of MSCI index methodologies in the MSCI digital assets benchmark family.

3.2 The EIC is primarily responsible for supervising the design, development, approval and interpretation of index methodologies. EIC discussions may be informed by feedback from the investment community. Nonetheless, all decisions taken by the committees are the sole responsibility of its members.

3.3 The IPC is responsible for final decisions on market classifications and may be consulted on selected index terminations and serves as an escalation point for the EIC. Relevant topics deemed to have material importance, as determined by the EIC, are discussed and decided by the IPC.

4 Index Calculation and Discretion

4.1 MSCI indexes in the digital assets benchmark family are calculated by combining published Component Index levels (Component Indexes) according to methodological rules. MSCI Digital Assets Indexes do not use “contributed” input data.

4.2 The return of the indexes may be determined in a number of currencies including USD, EUR as well as in terms of digital assets (“cryptocurrencies”) such as Bitcoin, Ethereum etc.

4.3 The MSCI Digital Assets Indexes rely on the continued availability of Component Index levels and permission for MSCI to use such data for determining the MSCI Digital Assets Indexes. To the extent

that such data is temporarily or permanently unavailable (whether as a result of a market disruption event or otherwise), the MSCI index methodologies apply the fallback measures described below.

- 4.4 In case of the unavailability of a Component Index level used in the calculation of an MSCI Digital Assets index level, MSCI carries forward the latest available Component Index level to calculate its indexes. If MSCI determines that another level is more appropriate based on the circumstances, an announcement would be sent to clients with the related information. All such determinations are made by the EIC.
- 4.5 The rules for MSCI index construction, maintenance and calculation are contained in publicly available methodology books and complemented with internal guidelines and operating procedures. Each process is conducted by well-trained personnel according to documented rules and operating procedures.
- 4.6 MSCI’s rules-based index methodologies provide that discretion is not used in the production of the indexes except in unusual cases not effectively addressed by the methodology. These include, but may not be limited to:
- Structural changes to the underlying markets,
 - Operational issues experienced by Component Index providers,
 - Geo-political events,
 - Events beyond human control
- 4.7 Where there may be a need to take an action that is not prescribed in the methodology, senior members across the MSCI Index Research and Data Management departments will develop a proposed approach with the goal of remaining consistent with the goals of the methodology and ensuring timely calculation and distribution. These proposals are reviewed by the EIC. In cases when time permits and the cases are deemed material, MSCI may consult with clients on the proposed approach. MSCI will then announce the decided action to all market participants at the same time.
- 4.8 Typically, MSCI does not publish explicit ex-post analysis of decisions, other than through its regular reviews of indexes and methodologies, but always welcomes feedback from market participants on decisions made.
- 4.9 The framework described above eliminates the exercise of discretion by an individual and ensures any required exercise of discretion is managed through escalation to committees of experts. All committees are governed by terms of reference and all decisions are appropriately documented and archived. The IPC and EIC each have at least 6 members respectively and decisions are reached by consensus.

5 Corrections

- 5.1 In the case of data errors that occur in the determination or calculation of an index in the MSCI digital assets benchmark family, if the impact of the error is below a documented threshold¹, no historical index restatement is made.

¹ Please refer to Correction Policy in MSCI Index Policies at <http://www.msci.com/index-methodology>

- 5.2 If the impact of the error on performance is above this threshold at the index level, indexes are restated historically.
- 5.3 MSCI applies a 12-month correction period for index errors. Errors discovered that are older than 12 months are generally not corrected.
- 5.4 Corrections related to regular index rebalancings are assessed on a case by case basis. MSCI typically considers the following factors in determining the most appropriate corrective action: index instability and replicability as well as potential reverse turnover.
- 5.5 All corrections are announced simultaneously to all market participants.

6 Consultations

- 6.1 MSCI indexes in the MSCI digital assets benchmark family are regularly reviewed and evaluated by the Index Research team. MSCI conducts consultations before making any material changes to an index methodology.
- 6.2 A consultation begins in general with an announcement giving the highlights of MSCI proposal(s) and indicating the location of the consultation document on MSCI's website. The announcement is widely distributed through multiple channels including the MSCI website, Bloomberg and Reuters and directly to MSCI's clients. These consultations provide market participants the time and opportunity to comment on any potential changes to the index methodology.
- 6.3 Once a consultation is closed and MSCI has gathered all required feedback, the EIC and if appropriate the IPC, reviews the feedback and makes a decision. Any decision to implement changes is announced publicly prior to implementation.
- 6.4 The final decision, including the rationale that has led to it and high level participation statistics, is communicated publicly to all market participants at once. Most consultation participants request that their feedback remains confidential. MSCI may nevertheless publicly disclose feedback if specifically requested by respective market participants. In that case, the relevant feedback would be published together with the final results of the consultation.
- 6.5 If the final decision is to change the methodology, it will be part of the announcement, including the timeframe for the implementation of the change. Subsequently, MSCI will update the relevant methodology books.
- 6.6 The length of a consultation and lead time provided for implementation varies depending on the complexity of the topic, breadth of client impact as well as impact on the index composition and is clearly communicated as part of the consultation process. The length of a consultation needs to be sufficient for market participants to meaningfully review what is proposed and respond.
- 6.7 For custom indexes, changes to any client specifications are discussed directly with the relevant client.

7 Index Terminations

- 7.1 While terminations of MSCI indexes in the MSCI digital assets benchmark family are expected to be rare, MSCI has clear written policies to address them². There may be certain circumstances where the methodology cannot be adapted in which case terminating the index may be required. These circumstances are generally not within MSCI’s control and may include significant changes to the structure of underlying market, drastic changes to the market infrastructure, lack of access to necessary data, geo-political events, and regulatory changes. Additionally, factors such as methodology convergence or low usage may result in MSCI’s proposal to terminate an index.
- 7.2 In all of these cases if an index termination is proposed or required, MSCI would proceed as follows:
- The EIC would review the appropriateness and impact of a potential termination.
 - MSCI may perform a consultation including a discussion of possible alternatives, if any.
 - MSCI would announce the termination of the index in advance.
 - If practicable, MSCI would continue to calculate the index for an announced period of time to give users the opportunity to transition to another index or otherwise prepare for the termination of the MSCI index.
 - In the event that an appropriate alternative MSCI index is established, the details of the methodology governing this index as well as the timing of the transition would be publicly announced in advance of the implementation.
- 7.3 The termination of a custom index is handled in consultation with the relevant client.

8 Index Usage

- 8.1 MSCI indexes in the MSCI digital assets benchmark family may be licensed for a variety of purposes, including for research or use as the basis for index-linked investment products. They may be used by a variety of market participants including but not limited to asset owners, portfolio managers, broker-dealers, and researchers. Not all uses are appropriate for all users. Market participants should use their judgment when selecting an index for a particular purpose.
- MSCI indexes and the effectiveness of index methodologies can be affected by a number of factors, most of which are beyond MSCI’s control. These may include, but are not limited to, structural changes to the underlying market including decreases in the size and liquidity of the relevant market segment, infrastructure changes, geo-political events, and regulatory changes. These circumstances may result in a material change of the methodology as a result. In rare cases, these circumstances may result in the termination of an index.
- 8.2 If financial product issuers or investment managers choose to use an MSCI index in the MSCI digital assets benchmark family as the basis of an index-linked financial product or an investment fund, they should consider this possibility, including the potential need to terminate or modify the terms of a financial product resulting from the termination of the calculation of the index.
- 8.3 MSCI assumes no responsibility for potential use of its indexes in the MSCI digital assets benchmark family for a particular purpose by clients, whether that use is for research, benchmarking,

² Please refer to Index Termination Policy in MSCI Index Policies at <http://www.msci.com/index-methodology>

the basis for an index-linked financial product or investment fund, or some other use. The effective representation of a market or strategy is the primary aim for MSCI.

9 Additional Information

Detailed methodology and policy documents, a search function to find the methodology documents governing a specific MSCI index in the MSCI digital assets benchmark family and vendor reference codes, if available, can be found on <http://www.msci.com/index-methodology>.

10 ESG Disclosures

ESG disclosures are provided as per Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as regards to the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

Commission Delegated Regulation (EU) 2020/1816 includes the following sections:

- Section 1 – Consideration of ESG factors
- Section 2 – Additional disclosure requirements for EU Climate Transition and EU Paris-Aligned benchmarks
- Section 3 – Disclosure of the alignment with the objectives of the Paris agreement

Refer to Appendix II for the details on disclosure pertaining to consideration of ESG factors for the BMR Benchmarks in MSCI digital assets benchmark family. Section 2 is not reported as there are no EU Climate Transition or EU Paris-Aligned benchmarks in the MSCI digital assets benchmark family as of the date of this report.

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Appendix I – Key Terms

Key term	Definition
Equity Index Committee (EIC)	The Equity Index Committee (EIC) is primarily responsible for the supervision of the design, development, approval and interpretation of index methodologies. Decisions made by the EIC are the sole responsibility of its members. The committee is staffed strictly by MSCI employees.
Index Policy Committee (IPC)	The Index Policy Committee (IPC) is responsible for final decisions with respect to market classifications and may be consulted on selected index terminations and is an escalation point for the EIC. Relevant topics deemed to have material importance, as determined by the EIC, are discussed and decided by the IPC.
Component Indexes	Component Indexes are non-MSCI indexes representing performance of an investment strategy in the underlying digital asset/s. These may include, but are not limited to, reference indexes for single digital assets, baskets of multiple digital assets, indexes representing same underlying asset but differentiated by timestamps, calculation methodologies and data providers etc.

Appendix II – ESG Factors in the Benchmark Statement of BMR Benchmarks in the MSCI digital assets benchmark family

Explanation of how ESG Factors are reflected in the Benchmark Statement of BMR Benchmarks in the MSCI digital assets benchmark family	
Section 1 – Consideration of ESG Factors	
Item 1. Name of the benchmark administrator	MSCI Limited
Item 2. Type of benchmark or family of benchmarks	Digital Assets
Item 3. Name of the benchmark or family of benchmarks	MSCI digital assets benchmark family
Item 4. Are there in the portfolio of the benchmark administrator any EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks, benchmarks that pursue ESG objectives or benchmarks that take into account ESG factors?	Yes
Item 5. Does the benchmark or family of benchmarks pursue ESG objectives?	No
Date on which information has last been updated and reason for the update:	The information in this report was last updated on November 24, 2023

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To learn more, please visit www.msci.com.

The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

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